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**NEAR NORTH INSURANCE EXECUTIVE INDICTED ON NEW
RICO AND FRAUD CHARGES IN ALLEGED \$20 MILLION FRAUD SCHEME**

CHICAGO -- A Chicago insurance executive was indicted today on new federal fraud and racketeering charges, alleging that for at least 12 years he illegally used millions of dollars in insurance premiums for personal and business expenses for himself and his companies. The defendant, **Michael Segal**, president and chief operating officer of Near North Insurance Brokerage, Inc. (NNIB), which he controlled through his ownership of its parent corporation, Near North National Group, Inc. (NNNG), allegedly looted a business account that held insurance premiums and knew that it was consistently millions of dollars short. Near North's premium trust fund account, or PFTA, an account that licensed insurance brokers must maintain under Illinois law, was allegedly deficient in amounts ranging from \$5 million at the end of 1990 to approximately \$24 million by 2001.

The charges were contained in a 16-count superseding indictment returned late today by a federal grand jury, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Thomas J. Kneir, Special Agent-in-Charge of the Chicago Field Division of the Federal Bureau of Investigation. Segal was charged with seven counts of insurance fraud, seven counts of mail fraud and one count each of wire fraud and racketeering.

Segal, 60, of 1040 North Lake Shore Dr., and 405 North Sheridan Rd., Highland Park,

was initially arrested in this case on Jan. 26, 2002, at a hotel near his firm's offices, located at 875 North Michigan Ave. He was indicted the following month on a single count of insurance fraud, and today's indictment adds new charges. Segal remains free on a \$750,000 unsecured signature bond. The case is scheduled for a status hearing at 9:45 a.m. tomorrow, Nov. 1, 2002, before U.S. District Judge Ruben Castillo.

Near North serves as an insurance broker for hundreds of carriers and public, private and corporate customers, providing various types of insurance coverage, including property, casualty, fire, life, health, and workers' compensation insurance, as well as specialty insurance products.

Among the new charges is a single count of racketeering, which alleges that NNIB and NNNG comprised an entity referred to as the Near North National Insurance Enterprise, whose purpose it was to: 1) enrich Segal and the members, associates, partners, employees and agents of the enterprise through acts of mail fraud and wire fraud, and 2) preserve and protect the power, territory and wealth of Segal and the enterprise, and promote and enhance the size and strength of the enterprise.

The racketeering count alleges that it was "Segal's objective to engage in an ongoing and continuous fraud scheme" in which trust funds – not belonging to NNIB – were unlawfully withdrawn from the PFTA and disbursed to pay for the expenses of the enterprise, business acquisition, expansion, investment and political contributions, even though he knew that the premium fund was millions of dollars deficient. It was also his objective, the indictment alleges, to retain funds for his own and his enterprise's use and benefit that should have been promptly refunded to customers.

According to the indictment: “Segal and members of the enterprise used his economic strength and resources and the financial resources available to him through his ownership and control of the enterprise and his continuous misuse of trust funds to instill in others the fear of retaliation and retribution by defendant . . . to cause others to be obedient to defendant . . . and to deter others from exposing the unlawful and unethical activities of defendant The methods and means to do this included the use of substantial economic resources to threaten to and to conduct expensive retaliatory litigation against those who would oppose his will, question his decisions, or expose his unlawful and unethical conduct.”

The racketeering count alleges that between 1990 and 2002, Segal committed 15 separate acts of mail fraud and wire fraud, any two of which, if proven, would constitute a pattern of racketeering activity. Under the Racketeer Influenced and Corrupt Organizations Act (RICO), the indictment also seeks forfeiture of at least \$20 million and all property or other ownership interests that Segal has in NNIB and NNNG, including any employment/consulting agreements and loan guarantees that he has with NNIB. As substitute assets, the indictment seeks forfeiture of Segal’s Highland Park residence.

“The corporate greed that is alleged in this indictment will not be tolerated,” Mr. Fitzgerald said. “We will vigorously prosecute individuals who deliberately mislead regulators, customers and others for financial gain. The indictment in this case alleges that Segal lied to regulators for year after years and stole money from his customers,” he said.

The indictment also alleges that between as early as 1990 and this year, Segal engaged in a fraud scheme to unlawfully obtain money from the PFTA and deprive various carriers, Near North customers and others of his honest services in order to benefit himself and others, including

members of his family and business entities that he owned or controlled, including NNIB and NNNG.

According to the indictment, the Illinois Insurance Code requires licensed insurance brokers to maintain a PFTA, in which all premiums collected are to be deposited, and establishes other rules regulating such activities as withdrawals and record-keeping. Segal allegedly caused money to be withdrawn and disbursed from the PFTA to Near North and a variety of other persons and entities in excess of the sum of commissions and other money due the agency, such that over a period of many years Segal misused and wrongfully withdrew more than \$20 million. At Segal's direction, NNIB used the misapplied funds for a variety of improper purposes, including to pay salaries and expenses, both business and personal, for himself and others, and expenses associated with business acquisition and expansion and general operating funds for Near North and others.

The mail fraud and insurance fraud counts allege that Segal caused Near North to make false material statements to the Illinois Department of Insurance to conceal the fraud. He also allegedly defrauded customers by mailing them misleading and inaccurate statements to create the false appearance that the accounting procedures of NNIB were being conducted accurately and in good faith. He then misappropriated the credit balances of customers' accounts for his own personal use and for Near North, the indictment alleges.

As part of the fraud scheme, Segal allegedly established and engaged in a practice of giving certain individual and business customers discounts and rebates on insurance premiums even though he knew that they were being financed in part by withdrawals from the PFTA while it had a deficit balance. Segal also caused to be maintained from time-to-time records of a so-called VIP List of customers to whom he would give discounts or rebates.

The government is being represented by Assistant U.S. Attorneys Dean Polales, Virginia M. Kendall and William R. Hogan, Jr.

If convicted, racketeering carries a maximum prison term of 20 years in prison, while each count of insurance fraud carries a maximum of 10 years, and each count of mail and wire fraud carries a maximum of 5 years, and all counts carry a maximum fine of \$250,000. As an alternative fine, the Court may order a fine totaling twice the gross loss to any victim or twice the gain to the defendant, whichever is greater. The Court, which also must order restitution, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the United States has the burden of proving guilt beyond a reasonable doubt.

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